

TOWN OF DAVIE TOWN COUNCIL AGENDA REPORT

TO: Mayor and Councilmembers

FROM/PHONE: Mark Alan, Human Resources Director (954) 797-1169

SUBJECT: Resolution

TITLE OF AGENDA ITEM: A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, SELECTING CIGNA HEALTHCARE TO PROVIDE FULLY-INSURED GROUP MEDICAL BENEFITS INCLUDING A HEALTH MAINTENANCE ORGANIZATION (HMO) PLAN AND A POINT OF SERVICE (POS) PLAN, AND AN EMPLOYEE ASSISTANCE PROGRAM (EAP); SELECTING COMPBENEFITS CORPORATION TO PROVIDE FULLY-INSURED GROUP DENTAL BENEFITS INCLUDING A DENTAL MAINTENANCE ORGANIZATION (DMO) PLAN AND A DENTAL PROVIDER ORGANIZATION (DPO) PLAN; SELECTING STANDARD INSURANCE COMPANY TO PROVIDE LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D) INSURANCE BENEFITS, LONG TERM DISABILITY (LTD) INSURANCE BENEFITS, AND SHORT TERM DISABILITY (STD) INSURANCE BENEFITS; AND AUTHORIZING THE HUMAN RESOURCES DIRECTOR TO EXECUTE APPROPRIATE APPLICATIONS AND CONTRACTS FOR SAID BENEFIT PLANS.

REPORT IN BRIEF:

This resolution establishes an expanded group insurance benefits package for our employees which falls within the fiscal year 2001/2002 approved budget.

Currently, the Town offers our employees health, dental, life and accidental death and dismemberment (AD&D), Town administered short term disability (STD) benefits, as well as an employee assistance program (EAP).

The 2002 group insurance benefits package includes all of the previously provided benefits and adds valuable provider administered long term disability (LTD) benefits and the administration of a STD plan with benefit features at currently provided Town administered STD benefit levels. Long term disability (LTD) and STD plans will be administered by the same provider which is also the current provider of the Town's life and AD&D plan.

Selection of providers

The Town issued Request for Proposals (RFPs) for group medical, employee assistance program, dental, life and accidental death and dismemberment, long term disability, and short term disability, in response to Cigna Healthcare (the Town's current medical plan provider) presenting a renewal which included a 36% increase.

Marsh USA Inc. assisted the Town in preparation of the RFP and in analysis of the proposals submitted. Exhibit "A", entitled "Consultant's Commentary on Employee Benefits for 2002" includes further information regarding the selection process and outlines the selected plan designs and contribution structure.

The following outlines the Town's Selection Committee decisions regarding the proposals presented in each plan category:

Medical

Cigna Healthcare, the Town's current medical plan provider, was the only potential provider to bid for medical benefits. Common reasons for decline to quote were: the Town's poor claims experience which includes 1) the Town's unfavorable paid loss ratio (trending to 107.3 according to the latest utilization report, 80 to 85 is favorable), 2) several large claims, and 3) a pending transplant; and that municipalities are not in the target market since they bid insurance benefits often (the high cost of first year set-ups is assumed by carriers).

As previously stated, Cigna Healthcare, the Town's current medical plan provider, presented a renewal which included an increase of approximately 36%. The renewal included the identical health maintenance organization (HMO) and point of service (POS) plans currently provided to our employees.

In response to the RFP, Cigna proposed a renewal of the current medical plans with an increase negotiated down from approximately 36% to approximately 33%. Cigna also proposed an alternative plan design with an increase of approximately 27% which included increased out-of-pocket copays, increased deductibles, and the same benefit features.

The Selection Committee selected Cigna's proposed renewal of the current medical plans since proposed increases in out-of-pocket copays and deductibles did not materially reduce the premium cost.

Employee Assistance Program (EAP)

In response to the RFP, nine proposals for EAP services were received including a proposal from Cigna, the Town's current EAP provider. Due to the need for continuity of treatment between an EAP and a medical benefits plan and since the Cigna proposed renewal of the current medical benefits plan was selected, the Selection Committee selected Cigna's proposed renewal of the current EAP plan. A maximum estimated savings of \$2,800 annually could not justify the disruption of services to employees by having them switch to a different medical provider when EAP benefits cease.

Dental

In response to the RFP, six proposals for dental plan services were received including a proposal from Prudential, the Town's current dental provider. Prudential presented the most costly proposal. The Selection Committee selected

proposals. The selection of Compbenefits' proposal provides a total shared cost savings to the Town and our employees of more than \$100,000. Compbenefits competitive pricing is based upon their contracting abilities due to their substantial network and volume of insured in the service area.

Life and Accidental Death and Dismemberment (AD&D) Insurance

In response to the RFP, six life and AD&D insurance proposals were received including a proposal from Standard Insurance Company, the Town's current life and AD&D insurance provider. Standard also provided the most competitive short term disability (STD) benefit and long term disability (LTD) benefit proposals. A renewal of Standard life and AD&D insurance includes an increase of approximately \$5,130. This will be the first increase in two years, and the new rates have a two-year guarantee. Additionally, Standard lowered the rate tables for the optional life program. Employees purchasing additional life insurance at group rates will have lower age-banded rates available to them. The Selection Committee selected Standard's life and AD&D insurance plan proposal.

Long Term Disability (LTD) and Short Term Disability (STD) Insurance

The Town currently provides a Town administered short term disability (STD) benefit and no long term disability (LTD) benefit. In response to the RFP, four life and AD&D insurance proposals were received. The Selection Committee selected Standard Insurance Company's proposal, the most competitive, for LTD and STD benefits. This selection adds valuable provider administered LTD benefits and the administration of a STD plan with benefit features at currently provided Town administered STD benefit levels to our employees' benefits package.

Cost Sharing/Contribution Structure

Medical and Dental

Currently, the Town pays 100% of single medical and dental coverages as well as 50% of the dependent coverages after single coverage cost. Employees pay the difference between the family rate and the single coverage rate. This contributory strategy is utilized whether the employee selects the HMO/DMO or the POS/DPO plans. Additionally, the Town has subsidized the 2001 rate increase. This strategy represents a benefit in excess of what has been agreed upon in collective bargaining agreements.

In order to provide benefits as at current levels (in light of poor claims experience and the current state of the insurance market) and to provide additional valuable benefits while remaining within budget, this resolution includes a revised contribution strategy. The Town will pay 100% of single medical and dental coverages and 50% of the dependent coverages after single coverage cost at HMO/DMO rate equivalents. Employees will pay 50% of the difference between the single and family HMO/DMO rates. Employees electing the POS/DPO plan will pay

from the HMO/DMO contribution. In recognition of the substantial increase in the POS family coverage employee cost, the Town will provide a subsidy as indicated in Exhibit "A", for POS family coverage. It should also be noted that a 92% of POS employee plan participants stay in network. In other words, they only utilize services available to them under the HMO plan and only 8% of claim are made out of network.

Employee Assistance Program (EAP)

The Town pays 100% of coverage.

Life and Accidental Death and Dismemberment (AD&D) Insurance

The Town pays 100% of core coverage. Employees may purchase up to three times their annual salary at group rates under the optional life program.

Short Term Disability (STD) Insurance

The Town pays 100% of coverage.

Long Term Disability (LTD)

The Town pays 100% of core coverage which is 40% of monthly salary up to \$3,333. Employees may buy-up (purchase additional coverage) to either 50% of monthly salary up to \$4,167, or to 60% of monthly salary up to \$5,000.

Recommendation

Staff recommends approval of this resolution which establishes an expanded group insurance benefits package for our employees which fall within the fiscal year 2001/2002 approved budget.

PREVIOUS ACTIONS: Not Applicable

CONCURRENCES: Not Applicable

FISCAL IMPACT:

Has request been budgeted? Yes

Cost: \$2,872,812

Account Name: Employee Benefits Accounts

RECOMMENDATION(S): Motion to approve the Resolution

Attachment(s): - Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, SELECTING CIGNA HEALTHCARE TO PROVIDE FULLY-INSURED GROUP MEDICAL BENEFITS INCLUDING A HEALTH MAINTENANCE ORGANIZATION (HMO) PLAN AND A POINT OF SERVICE (POS) PLAN, AND AN EMPLOYEE ASSISTANCE PROGRAM (EAP); SELECTING COMPBENEFITS CORPORATION TO PROVIDE FULLY-INSURED GROUP DENTAL BENEFITS INCLUDING A DENTAL MAINTENANCE ORGANIZATION (DMO) PLAN AND A DENTAL PROVIDER ORGANIZATION (DPO) PLAN; SELECTING STANDARD INSURANCE COMPANY TO PROVIDE LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D) INSURANCE BENEFITS, LONG TERM DISABILITY (LTD) INSURANCE BENEFITS, AND SHORT TERM DISABILITY (STD) INSURANCE BENEFITS; AND AUTHORIZING THE HUMAN RESOURCES DIRECTOR TO EXECUTE A P P R O P R I A T E APPLICATIONS AND CONTRACTS FOR SAID BENEFIT PLANS.

WHEREAS, the Town of Davie has solicited proposals for group medical, employee assistance program, dental, life and accidental death and dismemberment, long term disability, and short term disability benefits for employees and their dependents, elected officials, and eligible participants; and

WHEREAS, the Selection Committee has selected Cigna Healthcare as the firm best qualified to provide group medical benefits and an employee assistance program, Compbenefits Corporation as the firm best qualified to provide group dental benefits, and Standard Insurance Company as the firm best qualified to provide group life and accidental death and dismemberment benefits, group long term disability benefits, and group short term disability benefits; and

WHEREAS, it is in the Town's best interest to execute appropriate applications and contracts for said benefits.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council of the Town of Davie does hereby accept Cigna Healthcare as provider of group medical benefits and an employee assistance program, Compbenefits Corporation as provider of group dental benefits, Standard Insurance Company as provider of group life and accidental death and dismemberment benefits, group long term disability benefits, and group short term disability benefits. Plan design and contribution information is attached hereto as Exhibit "A", entitled "Consultant's Commentary on Employee Benefits for 2002".

SECTION 2. The Town Council of the Town of Davie does hereby authorize the Human Resources Director to execute appropriate applications and contracts for said benefits. Pursuant to ordinance, benefits may be renewed for up to four (4) additional terms without soliciting proposals. The Town Council of the Town of Davie does hereby authorize said renewals, if appropriate, to be handled administratively by staff, subject to budgetary approval by Town Council.

SECTION 3. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS ____ DAY OF _____, 2001

MAYOR/COUNCILMEMBER

ATTEST:

TOWN CLERK

APPROVED THIS ____ DAY OF _____, 2001

EXHIBIT A
PROVIDED UNDER
SEPARATE COVER